

SMITH BARNEY DIVERSIFIED LARGE CAP GROWTH FUND

ANNUAL REPORT | OCTOBER 31, 2001



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Annual Report • October 31, 2001

SMITH BARNEY DIVERSIFIED LARGE CAP GROWTH FUND

BRIAN O'TOOLE

Brian O'Toole has 15 years of securities business experience and leads a team of equity managers in the day-to-day management of the Fund. Mr. O'Toole holds a BA from St. Mary's College.

BRIAN ROUTLEDGE

Brian Routledge has 12 years of securities business experience and leads a team of equity managers in the day-to-day management of the Fund. Mr. Routledge holds a BS in Finance with high honors from St. John's University.

FUND OBJECTIVE

The Fund seeks long-term capital growth. Dividend income, if any, is incidental to this goal.

FUND FACTS

FUND INCEPTION

October 19, 1990

MANAGER INVESTMENT INDUSTRY EXPERIENCE

15 Years (Brian O'Toole)
12 Years (Brian Routledge)

	Class A	Class B	Class L
NASDAQ	CFLGX	CFLCBX	N/A
Inception	2/21/95	2/21/95	09/11/00

Average Annual Total Returns as of October 31, 2001

Without Sales Charges⁽¹⁾

	Class A	Class B	Class L
One-Year	(28.00)%	(28.58)%	(28.54)%
Five-Year	7.78%	—	—
Ten-Year	10.22%	—	—
Since Inception†	11.80%	(8.35)%	(28.06)%

With Sales Charges⁽²⁾

	Class A	Class B	Class L
One-Year	(31.60)%	(32.15)%	(29.96)%
Five-Year	6.68%	—	—
Ten-Year	9.66%	—	—
Since Inception†	11.29%	(9.33)%	(28.71)%

⁽¹⁾ Assumes reinvestment of all dividends and capital gain distributions, if any, at net asset value and does not reflect deduction of all applicable sales charges with respect to Class A and L shares or the applicable contingent deferred sales charges ("CDSC") with respect to Class B and L shares.

⁽²⁾ Assumes reinvestment of all dividends and capital gain distributions, if any, at net asset value. In addition, Class A and L shares reflect the deduction of the maximum sales charge of 5.00% and 1.00%, respectively; and Class B shares reflect the deduction of a 5.00% CDSC, which applies if shares are redeemed within one year from initial purchase. Class L shares also reflect the deduction of 1.00% CDSC, which applies if shares are redeemed within the first year of purchase.

All figures represent past performance and are not a guarantee of future results. Investment returns and principal value will fluctuate, and redemption value may be more or less than the original cost.

† Inception dates for Class A, B and L shares are October 19, 1990, January 4, 1999 and September 22, 2000, respectively.

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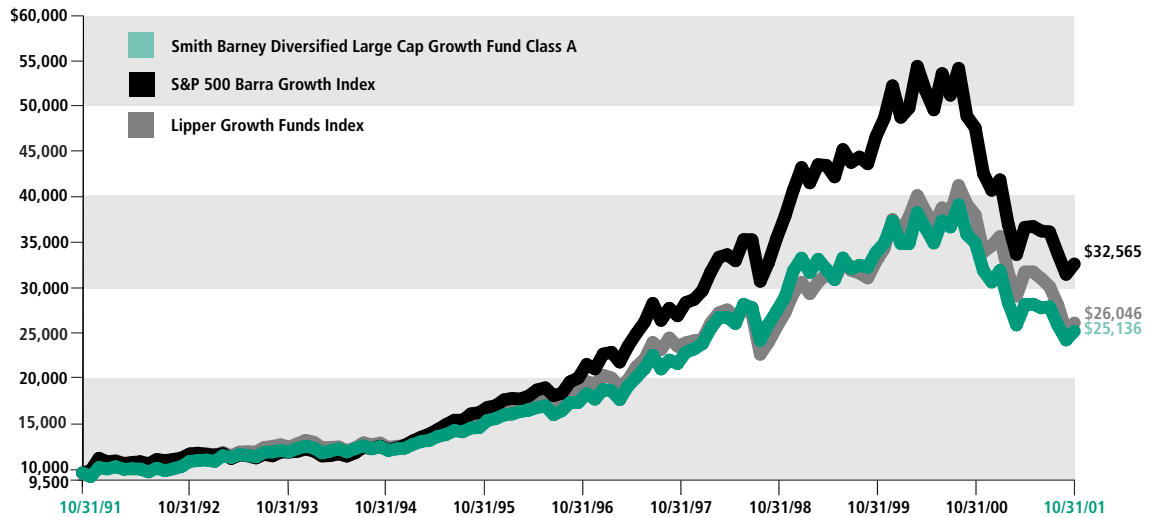
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Smith Barney Diversified Large Cap Growth Fund at a Glance

Growth of \$10,000 Invested in shares of the Smith Barney Diversified Large Cap Growth Fund Class A vs. Benchmarks

Growth of a \$10,000 Investment

A \$10,000 investment in the Fund made ten years ago would have grown to \$25,136 including sales charge (as of 10/31/01). The graph shows how the Fund compares to its benchmarks over the same period.



The graph includes the initial sales charge on the Fund (no comparable charge exists for the indices) and assumes all dividends and distributions from the Fund are reinvested at Net Asset Value.

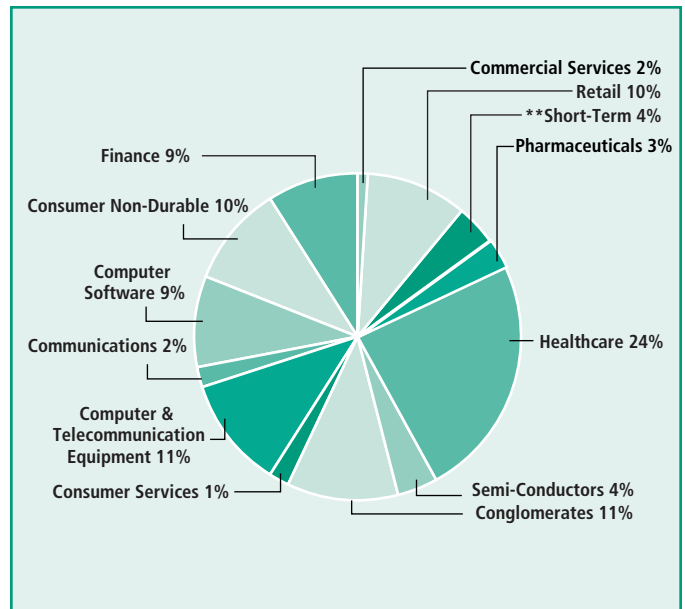
Notes: **All Fund performance numbers represent past performance, and are no guarantee of future results.** The Fund's share price and investment return will fluctuate so that the value of an investor's shares, when redeemed, may be worth more or less than their original cost. Total returns include change in share price and reinvestment of dividends and distributions, if any. Total return figures "with sales charge" are provided in accordance with SEC guidelines for comparative purposes for prospective investors and reflect voluntary fee waivers which may be terminated at any time. If the waivers were not in place, the Fund's returns would have been lower. The maximum sales charge of 5.00% went into effect on January 4, 1999. Investors may not invest directly in an index.

Top Ten Equity Holdings*

1. General Electric Co.	7.94%
2. Microsoft Corp.	7.15%
3. Pfizer Inc.	5.54%
4. Wal-Mart Stores Inc.	5.14%
5. International Business Machines Corp. .	4.68%
6. Johnson & Johnson	4.27%
7. Merck & Co. Inc.	3.84%
8. Intel Corp.	3.34%
9. Coca Cola Co.	3.30%
10. Home Depot	2.72%

* As a percentage of total investments. Information as of 10/31/01, subject to change.

Portfolio Breakdown



** Includes cash and net other assets. Information as of 10/31/01, subject to change.

Dear Shareholder:

Enclosed herein is the annual report for the Diversified Large Cap Growth Fund (the “Fund”) for the 12-month period ended October 31, 2001. In this report, we summarize what we believe to be the period’s prevailing economic and market conditions and outline our investment strategy. A detailed summary of the Fund’s holdings and performance can be found in the appropriate sections that follow. We hope you find this report to be useful and informative.

Performance Update

For the year ended October 31, 2001, the Fund’s Class A shares, without sales charges, returned negative 28.00%. In comparison, the Standard & Poor’s Barra Growth Index¹ returned negative 31.56% for the same period. Past performance is not indicative of future results.

Investment Strategy

The Fund invests primarily in equity securities of U.S. large cap issuers that, at the time the securities are purchased, have market capitalizations within the top 1,000 stocks of the equity market.

We use a growth approach, emphasizing well-established companies with superior management teams. We look principally for issuers with long histories of strong, relatively predictable earnings growth rates and the products and strategies for continuing above-average growth. We seek issuers that build earnings by increasing sales, productivity and market share rather than by cutting costs, and also emphasize issuers with stable financial characteristics and low debt levels.

Market and Fund Review

The U.S. economy suffered a severe disruption following the terrorist attacks of September 11. The economy now faces a heightened risk of negative Gross Domestic Product (“GDP”)² growth in the fourth quarter of 2001. In fact, preliminary data for the third quarter 2001 GDP was reported at negative 0.4%—the first contraction since 1993. In response to the events of September 11, the U.S. Federal Reserve Board (“Fed”) aggressively cut short-term interest rates several times in an attempt to reduce stress on the economy.

During the period, the Fund’s positions in the financial services and healthcare sectors, along with superior stock selection in other sectors, helped its performance relative to its peer group. The Fund initiated new positions in SBC Communications Inc. and Tyco International Ltd. because we believe their earnings outlooks seem relatively predictable. We trimmed the Fund’s position in General Electric Co. and liquidated the Fund’s AOL Time Warner Inc. position on concerns that the companies’ earnings growth rate were slowing.

Throughout the period, perhaps the greatest factor contributing to the Fund’s performance was stock selection. Specifically, holdings in the technology, financial services, and healthcare sectors had the greatest impact on the Fund’s performance. Additionally, the Fund’s sector selection in the technology, financials and the communication services sectors also improved the Fund’s performance compared to the benchmark.

While the last 12 months were difficult for the U.S. economy in general and for growth stocks³ in particular, the general out-performance of value stocks⁴ compared to growth stocks has been extreme by historical standards. For this reason, we expect to see blue-chip growth companies improve as the current economic clouds lift. Of course, there can be no assurances that our expectations will be met.

¹ The S&P Barra Growth Index (“S&P Barra Growth Index”) is a capitalization-weighted index composed of stocks of the S&P 500 with lower book-to-price ratios relative to the S&P 500 as a whole. An investor cannot invest directly in an index.

² Gross Domestic Product (“GDP”) is the market value of the goods and services produced by labor and property in the U.S. GDP comprises consumer and government purchases, private domestic investments and net exports of goods and services.

³ Growth stocks are shares of companies believed to exhibit the potential for faster-than-average growth within their industries.

⁴ Value stocks are shares that are considered to be inexpensive relative to their asset values or earning power.

Market and Fund Outlook

Looking ahead, we expect the Fed will continue to ease monetary policy until the U.S. economy begins to stabilize, which we think will occur in early 2002. We expect to see the Fed moving monetary policy back to a neutral stance toward mid-2002.

In addition to lower short-term interest rates, we anticipate that recent tax cuts and increased government spending should also begin to have a positive impact on economic growth in the U.S. Fiscal policy is now becoming accommodative, following many years of restrictive policy. We believe the tax cut enacted in the third quarter of 2001, emergency spending directed toward the airlines industry, and the current \$100 billion stimulus package on the table in Washington should combine to offset the external shocks impacting consumer confidence.

In our view, these trends of increased federal spending and reduced tax rates are not likely to change course before 2003. Higher expenditures on defense and domestic security are also likely for years to come. We believe that when the economy eventually begins to rebound, the extremely accommodative monetary conditions that will likely be in place at that time should have a strong positive effect on growth.

Thus, it now appears that, given the volume of monetary and fiscal stimulus now on the table, the economic recovery, although delayed, in our view will likely be a fairly vigorous one. At this level, we feel monetary policy should be a 3ccommodating enough to support a recovery in business investment and manufacturing in the second half of 2002, which should be a positive for growth stocks.

Going forward, we will continue to be opportunistic and take advantage of current market conditions by increasing exposure to growth companies we find most attractive.

Thank you for your investment in the Smith Barney Diversified Large Cap Growth Fund and your continued confidence in our investment approach.

Sincerely,



Heath B. McLendon
Chairman



Brian O'Toole
Managing Director



Brian Routledge
Director

November 7, 2001

The information provided in this commentary represents the opinion of the Fund's manager and is not intended to be a forecast of future events, a guarantee of future results or investment advice. Further, there is no assurance that certain securities will remain in or out of the Fund's investment portfolio. Please refer to pages 15 through 16 for a list and percentage breakdown of the Fund's holdings. Also, please note any discussion of the Fund's holdings is as of October 31, 2001 and is subject to change.

Statement of Assets and Liabilities

October 31, 2001

ASSETS:

Investment in Large Cap Growth Portfolio, at value (Note 1A)	\$276,954,226
Receivable for shares of beneficial interest sold	14,789
Total Assets	276,969,015

LIABILITIES:

Payable for shares of beneficial interest repurchased	246,386
Distribution fee payable	69,173
Management fees payable	30,921
Accrued expenses and other liabilities	69,758
Total Liabilities	416,238

Net Assets	\$276,552,777
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NET ASSETS CONSIST OF:

Paid-in capital	\$324,985,711
Unrealized depreciation	(30,696,622)
Accumulated net realized loss	(17,736,312)
Total	\$276,552,777

Computation of Class A Shares:

Net Asset Value per share (\$261,863,882/18,369,200 shares outstanding)	\$14.26
Offering Price per share (\$14.26 ÷ 0.95)	\$15.01*

Class B Shares:

Net Asset Value per share and offering price (\$14,485,290/1,039,800 shares outstanding)	\$13.93**
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Class L Shares:

Net Asset Value per share and offering price (\$203,605/13,964 shares outstanding)	\$14.58
Offering Price per share (\$14.58 ÷ 0.99)	\$14.73

* Based upon single purchases of less than \$25,000.

** Redemption price per share is equal to net asset value less any applicable contingent deferred sales charges.

See Notes to Financial Statements.

Statement of Operations

For the Year Ended October 31, 2001

INVESTMENT INCOME (NOTE 1B):

Dividend Income from Large Cap Growth Portfolio	\$ 2,599,378
Interest Income from Large Cap Growth Portfolio	530,193
Allocated Expenses from Large Cap Growth Portfolio	(2,130,321)
Total Investment Income	999,250

EXPENSES:

Management fees (Note 2)	1,012,161
Service fees Class A (Note 3)	798,335
Service fees Class B (Note 3)	179,060
Service fees Class L (Note 3)	1,467
Legal fees	62,394
Transfer agent fees	58,892
Shareholder reports	45,987
Custody and fund accounting fees	41,774
Blue sky fees	39,375
Trustees fees	19,079
Audit fees	25,110
Other	63,724

Total Expenses	2,347,358
Less: aggregate amount waived by the Manager (Note 2)	(799,515)

Net Expenses	1,547,843
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Net Investment Loss	(548,593)
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NET REALIZED AND UNREALIZED LOSS FROM LARGE CAP GROWTH PORTFOLIO:

Net realized loss	(16,489,957)
Unrealized depreciation	(101,857,377)

Net Realized and Unrealized Loss From Large Cap Growth Portfolio	(118,347,334)
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Net Decrease in Net Assets Resulting from Operations	\$(118,895,927)
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See Notes to Financial Statements.

Statement of Changes in Net Assets

For the Year Ended October 31,	2001	2000
Increase (Decrease) in Net Assets from:		
OPERATIONS:		
Net investment loss	\$ (548,593)	\$ (1,910,517)
Net realized gain (loss)	(16,489,957)	44,457,499
Unrealized depreciation	(101,857,377)	(20,930,495)
Net Increase (Decrease) in Net Assets Resulting From Operations	(118,895,927)	21,616,487
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net realized gain Class A	(33,473,456)	(70,216,424)
Net realized gain Class B	(1,926,859)	(3,966,602)
Net realized gain Class L	(3,916)	—
Decrease in Net Assets From Distributions to Shareholders	(35,404,231)	(74,183,026)
TRANSACTIONS IN SHARES OF BENEFICIAL INTEREST (NOTE 5):		
Class A		
Net proceeds from sale of shares	7,484,061	81,443,735
Net asset value of shares issued to shareholders from reinvestment of distributions	33,423,247	69,749,460
Cost of shares repurchased	(54,475,485)	(194,322,536)
Total Class A	(13,568,177)	(43,129,341)
Class B		
Net proceeds from sale of shares	754,192	2,959,203
Net asset value of shares issued to shareholders from reinvestment of distributions	1,816,021	3,686,555
Cost of shares repurchased	(3,885,398)	(7,607,470)
Total Class B	(1,315,185)	(961,712)
Class L		
Net proceeds from sale of shares	274,115	40,024
Net asset value of shares issued to shareholders from reinvestment of distributions	3,916	—
Cost of shares repurchased	(81,913)	—
Total Class L	196,118	40,024
Net Decrease in Net Assets From Transactions in Shares of Beneficial Interest	(14,687,244)	(44,051,029)
Net Decrease in Net Assets	(168,987,402)	(96,617,568)
NET ASSETS:		
Beginning of period	445,540,179	542,157,747
End of period	\$276,552,777	\$445,540,179

See Notes to Financial Statements.

Financial Highlights

Class A Shares	Year Ended October 31,				Ten Months Ended October 31,	Year Ended December 31,
	2001	2000	1999	1998	1997	1996
Net Asset Value, Beginning of Period	\$21.91	\$24.42	\$21.47	\$21.14	\$18.25	\$17.20
Income From Operations:						
Net investment income (loss)	(0.021)	(0.084)	(0.079)†	(0.022)†	0.031	0.122
Net realized and unrealized gain (loss)	(5.851)	1.021	4.944	4.735	4.016	2.250
Total From Operations	(5.872)	0.937	4.865	4.713	4.047	2.372
Less Distributions From:						
Net investment income	—	—	—	(0.012)	(0.030)	(0.118)
Net realized gain	(1.778)	(3.447)	(1.915)	(4.371)	(1.127)	(1.204)
Total Distributions	(1.778)	(3.447)	(1.915)	(4.383)	(1.157)	(1.322)
Net Asset Value, End of Period	\$14.26	\$21.91	\$24.42	\$21.47	\$21.14	\$18.25
Ratios/Supplemental Data:						
Net assets, end of period (000's omitted)	\$261,864	\$421,307	\$513,883	\$378,380	\$248,161	\$228,954
Ratio of expenses to average net assets (A)	1.05%	1.05%	1.05%	1.05%	1.05%*	1.05%
Ratio of net investment income (loss) to average net assets	(0.12)%	(0.33)%	(0.34)%	(0.11)%	0.18%*	0.67%
Total Return	(28.00)%	3.20%	23.60%	26.90%	22.27%**	13.84%
Portfolio Turnover Rate	29%	80%	108%	53%	103%	90%

Note: If Agents of the Fund for the periods indicated had not voluntarily waived a portion of their fees the net investment income (loss) per share and the ratios would have been as follows:

Net investment income (loss) per share	\$(0.062)	\$(0.143)	\$(0.131)†	\$(0.078)†	\$(0.023)	\$0.067
Ratios:						
Expenses to average net assets (A)	1.29%	1.29%	1.27%	1.32%	1.35%*	1.35%
Net investment income (loss) to average net assets	(0.36)%	(0.57)%	(0.56)%	(0.38)%	(0.12)%*	0.37%

* Annualized

** Not Annualized

† The per share amounts were computed using a monthly average number of shares outstanding during the year.

(A) Includes the Fund's share of Large Cap Growth Portfolio allocated expenses for the periods indicated.

See Notes to Financial Statements.

Financial Highlights (continued)

Class B Shares	Year Ended October 31,		January 4, 1999 (Commencement of Operations) to October 31, 1999
	2001	2000	
Net Asset Value, Beginning of Period	\$21.61	\$24.28	\$22.73
Income From Operations:			
Net investment loss	(0.150)	(0.248)	(0.206)†
Net realized and unrealized gain (loss)	(5.752)	1.025	1.756
Total From Operations	(5.902)	0.777	1.550
Less Distributions From:			
Net investment income	—	—	—
Net realized gain	(1.778)	(3.447)	—
Total Distributions	(1.778)	(3.447)	—
Net Asset Value, End of Period	\$13.93	\$21.61	\$24.28
Ratios/Supplemental Data:			
Net assets, end of period (000's omitted)	\$14,485	\$24,194	\$28,275
Ratio of expenses to average net assets (A)	1.80%	1.80%	1.80%*
Ratio of net investment loss to average net assets	(0.87)%	(1.08)%	(1.13)%*
Total Return	(28.58)%	2.47%	6.82%**
Portfolio Turnover Rate	29%	80%	108%

Note: If Agents of the Fund for the periods indicated had not voluntarily waived a portion of their fees the net investment loss per share and the ratios would have been as follows:

Net investment loss per share	\$(0.191)	\$(0.307)	\$(0.258)†
Ratios:			
Expenses to average net assets (A)	2.04%	2.04%	2.02%*
Net investment loss to average net assets	(1.11)%	(1.32)%	(1.35)%*

* Annualized

** Not Annualized

† The per share amounts were computed using a monthly average number of shares outstanding during the period.

(A) Includes the Fund's share of Large Cap Growth Portfolio allocated expenses for the periods indicated.

See Notes to Financial Statements.

Financial Highlights (continued)

Class L Shares	Year Ended October 31, 2001	September 22, 2000 (Commencement of Operations) to October 31, 2000
Net Asset Value, Beginning of Period	\$22.51	\$23.16
Income From Operations:		
Net investment loss	(0.093)	(0.022)†
Net realized and unrealized loss	(6.059)	(0.628)
Total From Operations	(6.152)	(0.650)
Less Distributions From:		
Net investment income	—	—
Net realized gain	(1.778)	—
Total Distributions	(1.778)	—
Net Asset Value, End of Period	\$14.58	\$22.51
Ratios/Supplemental Data:		
Net assets, end of period (000's omitted)	\$204	\$39
Ratio of expenses to average net assets (A)	1.80%	1.80%*
Ratio of net investment loss to average net assets	(0.88)%	(1.08)%*
Total Return	(28.54)%	(2.81)%**
Portfolio Turnover Rate	29%	80%

Note: If Agents of the Fund for the periods indicated had not voluntarily waived a portion of their fees the net investment loss per share and the ratios would have been as follows:

Net investment loss per share	\$(0.118)	\$(0.027)†
Ratios:		
Expenses to average net assets (A)	2.04%	2.04%*
Net investment loss to average net assets	(1.12)%	(1.32)%*

* Annualized

** Not Annualized

† The per share amounts were computed using a monthly average number of shares outstanding during the period.

(A) Includes the Fund's share of Large Cap Growth Portfolio allocated expenses.

See Notes to Financial Statements.

Notes to Financial Statements

1. Significant Accounting Policies

Smith Barney Diversified Large Cap Growth Fund (the "Fund") is a separate diversified series of Smith Barney Trust II (the "Trust"), a Massachusetts business trust. The Trust is registered under the Investment Company Act of 1940, as amended, as an open-end, management investment company. Before November 1, 2001, the Fund invested all of its investable assets in Large Cap Growth Portfolio (the "Portfolio"), a management investment company for which Citi Fund Management Inc. (the "Manager") served as Investment Manager. The value of such investment reflects the Fund's proportionate interest (99.9% at October 31, 2001) in the net assets of the Portfolio. On April 1, 2001, Citibank, N.A. transferred its asset management business, including investment management of the Fund to its newly formed affiliate, the Manager. Salomon Smith Barney Inc. ("SSB"), a subsidiary of SSBH, acts as the Fund's distributor. SSB continues to sell Fund shares to the public as a member of the selling group.

Citi Fiduciary Trust Company ("CFTC"), another subsidiary of Citigroup, acts as the Fund's transfer agent and PFPC Global Fund Services ("PFPC") acts as the Fund's sub-transfer agent. CFTC receives fees and asset-based fees that vary according to the account size and type of account. PFPC is responsible for shareholder recordkeeping and financial processing for all shareholder accounts and is paid by CFTC. For the year ended October 31, 2001, the Fund paid transfer agent fees of \$58,892 to CFTC.

The Fund offers Class A, Class B and Class L shares. Class A shares have a front-end, or initial, sales charge. This sales charge may be reduced or eliminated in certain circumstances. Class B shares have no front-end sales charge, pay a higher ongoing distribution fee than Class A Shares, and are subject to a deferred sales charge if sold within five years of purchase. Class L shares have a front-end, or initial, sales charge and are subject to a deferred sales charge if sold within one year of purchase. Class B shares automatically convert to Class A shares after eight years. Expenses of the Fund are borne pro-rata by the holders of each class of shares, except

that each class bears expenses unique to that class (including the Rule 12b-1 service and distribution fees applicable to such class), and votes as a class only with respect to its own Rule 12b-1 plan. Shares of each class would receive their pro-rata share of the net assets of the Fund if the Fund were liquidated. Class A shares have lower expenses than Class B shares. For the year ended October 31, 2001, the Distributor received \$117,000 and \$1,000 from sales of Class A and Class L shares, respectively, and \$47,000 in deferred sales charges from redemptions of Class B shares.

The financial statements of the Portfolio, including the portfolio of investments, are contained elsewhere in this report and should be read in conjunction with the Fund's financial statements.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The significant accounting policies consistently followed by the Fund are as follows:

A. Investment Valuation Valuation of securities by the Portfolio is discussed in Note 1A of the Portfolio's Notes to Financial Statements which are included elsewhere in this report.

B. Investment Income The Fund earns income, net of Portfolio expenses, daily based on its investment in the Portfolio.

C. Federal Taxes The Fund's policy is to comply with the provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute to shareholders all of its taxable income, including any net realized gain on investment transactions. Accordingly, no provision for federal income or excise tax is necessary. At October 31, 2001, the Fund for federal income tax purposes had a loss carryover of \$15,233,879 all of which will expire on October 31, 2009.

Notes to Financial Statements (continued)

D. Expenses The Fund bears all costs of its operations other than expenses specifically assumed by the Manager. Expenses incurred by the Trust with respect to any two or more funds or series are allocated in proportion to the average net assets of each fund, except when allocations of direct expenses to each fund can otherwise be made fairly. Expenses directly attributable to a fund are charged to that fund. The Fund's share of the Portfolio's expenses are charged against and reduce the amount of the Fund's investment in the Portfolio.

E. Distributions Distributions to shareholders are recorded on ex-dividend date. The amount and character of income and net realized gains to be distributed are determined in accordance with income tax rules and regulations, which may differ from generally accepted accounting principles. These differences are attributable to permanent book and tax accounting differences. Reclassifications are made to the Fund's capital accounts to reflect income and net realized gains available for distribution (or available capital loss carryovers) under income tax rules and regulations. For the year ended October 31, 2001, the Fund reclassified \$548,593 from accumulated investment loss, \$15,344,200 to paid in capital, \$10,112,491 from realized gains and \$5,780,302 from unrealized gain & loss.

F. Other All the net investment income, realized and unrealized gain and loss of the Portfolio is allocated pro rata, based on respective ownership interests, among the Fund and the other investors in the Portfolio at the time of such determination. Investment transactions are accounted for on the trade date basis. Realized gains and losses are determined on the identified cost basis.

2. Management Fees

The Manager is responsible for overall management of the Fund's business affairs, and has a Management Agreement with the Fund. The Manager or an affiliate also provides certain administrative services to the Fund. These administrative services include providing general office facilities and supervising the overall administration of the Fund.

The management fees paid to the Manager are accrued daily and payable monthly. The management fee is computed at the annual rate of 0.30% of the Fund's average daily net assets. The management fee amounted to \$1,012,161 of

which \$799,515 was voluntarily waived for the year ended October 31, 2001.

The Trust pays no compensation directly to any Trustee or any other officer who is affiliated with the Manager, all of whom receive remuneration for their services to the Trust from the Manager or its affiliates.

3. Service Fees

The Fund maintains separate Service Plans for Class A and Class B shares, which have been adopted in accordance with Rule 12b-1 under the 1940 Act. Under the Class A Service Plan, the Fund may pay monthly fees at an annual rate not to exceed 0.25% of the average daily net assets represented by Class A shares of the Fund. The Service fees for Class A shares amounted to \$798,335 for the year ended October 31, 2001. Under the Class B and Class L Service Plan, the Fund may pay a combined monthly distribution and service fee at an annual rate not to exceed 1.00% of the average daily net assets represented by Class B shares and Class L shares of the Fund. The Distribution fees for Class B and Class L shares amounted to \$179,060 and \$1,467, respectively, for the year ended October 31, 2001. These fees may be used to make payments to the Distributor for distribution services and to others as compensation for the sale of shares of the applicable class of the Fund, for advertising, marketing or other promotional activity, and for preparation, printing and distribution of prospectuses, statements of additional information and reports for recipients other than regulators and existing shareholders. The Fund may also make payments to the Distributor and others for providing personal service or the maintenance of shareholder accounts.

4. Investment Transactions

Increases and decreases in the Fund's investment in the Portfolio for the year ended October 31, 2001 aggregated \$8,684,112 and \$60,472,472, respectively.

Notes to Financial Statements (continued)

5. Shares Of Beneficial Interest

The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest (without par value). Transactions in shares of beneficial interest were as follows:

	Year Ended October 31,	
	2001	2000
Class A		
Shares sold	484,351	3,484,190
Shares issued to shareholders from reinvestment of distributions	1,996,610	3,037,623
Shares repurchased	(3,338,225)	(8,340,808)
Class A net decrease	(857,264)	(1,818,995)
Class B		
Shares sold	46,396	124,841
Shares issued to shareholders from reinvestment of distributions	110,329	161,750
Shares repurchased	(236,451)	(331,484)
Class B net decrease	(79,726)	(44,893)
Class L		
Shares sold	17,071	1,742
Shares issued to shareholders from reinvestment of distributions	228	—
Shares repurchased	(5,077)	—
Class L net increase	12,222	1,742

6. Subsequent Event

On October 29, 2001, the Board of Trustees approved a change in the investment structure of the Fund. Effective November 1, 2001, the Fund withdrew its investment in the Large Cap Growth Portfolio and began investing its assets directly in investment securities.

See Notes to Financial Statements.

Independent Auditors' Report

To the Trustees and the Shareholders of Smith Barney Trust II: Smith Barney Diversified Large Cap Growth Fund:

In our opinion, the accompanying statement of assets and liabilities, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Smith Barney Diversified Large Cap Growth Fund (the "Fund"), a series of Smith Barney Trust II, at October 31, 2001, and the results of its operations, the changes in its net assets and the financial highlights for the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of investments at October 31, 2001 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
December 14, 2001

Additional Information

A special meeting of shareholders was held on September 28, 2001. Among other items, the following people were newly elected to serve on the Fund's Board of Trustees: Elliot J. Berv, Donald M. Carlton, A. Benton Cocanougher, Mark T. Finn, Stephen Randolph Gross, Alan G. Merten, R. Richardson Pettit and Walter E. Robb, III. Riley C. Gilley, Diana R. Harrington, Susan B. Kerley, Heath B. McLendon, C. Oscar Morong, Jr. and E. Kirby Warren were each re-elected to serve on the Fund's Board of Trustees.

The votes and tabulations are as follows:

Item Voted On:	Votes for	Votes Against	Abstentions	Broker Non-Votes
Item 1. To Elect a Board of Trustees				
1.01 Elliott J. Berv	19,265,577.189	1,041,732.542	0.000	0.000
1.02 Donald M. Carlton	19,264,128.042	1,043,181.689	0.000	0.000
1.03 A. Benton Cocanougher	19,175,143.983	1,132,165.748	0.000	0.000
1.04 Mark T. Finn	19,276,396.388	1,030,913.343	0.000	0.000
1.05 Riley C. Gilley	19,218,679.676	1,088,630.055	0.000	0.000
1.06 Stephen Randolph Gross	19,282,642.848	1,024,666.883	0.000	0.000
1.07 Diana R. Harrington	19,262,118.355	1,045,191.376	0.000	0.000
1.08 Susan B. Kerley	19,290,327.794	1,016,981.937	0.000	0.000
1.09 Heath B. McLendon	19,248,139.674	1,059,170.057	0.000	0.000
1.10 Alan G. Merten	19,274,850.166	1,032,459.565	0.000	0.000
1.11 C. Oscar Morong, Jr.	19,172,274.996	1,135,034.735	0.000	0.000
1.12 R. Richardson Pettit	19,201,077.671	1,106,232.060	0.000	0.000
1.13 Walter E. Robb, III	19,137,528.644	1,169,781.087	0.000	0.000
1.14 E. Kirby Warren	19,248,580.541	1,058,729.190	0.000	0.000
Item 2. Amended and Restated Declaration of Trust	17,530,006.073	1,296,585.062	1,289,465.596	148,752.334
Item 3. Votes on Various Fund Policies				
3.01 Borrowing	17,941,943.055	1,760,315.735	413,797.941	148,752.334
3.02 Lending of Money or Securities	18,000,825.816	1,701,376.023	413,854.892	148,752.334
3.03 Concentration	18,066,641.612	1,624,736.016	424,679.103	148,752.334
3.04 Real Estate, Oil, Gas and Mineral Interests, and Commodities	18,023,022.619	1,677,482.435	415,551.677	148,752.334
3.05 Issuance of Senior Securities	17,981,067.549	1,656,924.120	478,065.060	148,752.334
3.06 Investments in a Single Issuer	17,911,693.377	1,778,799.916	425,563.438	148,752.334
Item 4. Amended and Restated Management Agreement	17,373,908.328	1,385,297.249	1,548,104.154	148,752.334
Item 5. Amended and Restated Service Plans	17,380,393.514	1,450,608.715	1,476,307.502	148,752.334

See Notes to Financial Statements.

SHARES	SECURITY	VALUE
COMMON STOCKS — 95.8%		
Communications — 2.5%		
182,800	SBC Communications Inc.	\$ 6,966,508
Computer Software — 9.6%		
340,537	Microsoft Corp.*	19,802,227
19,500	National Instruments Corp.*	561,795
458,596	Oracle Corp.*	6,218,562
26,582,584		
Computer & Telecommunications Equipment — 10.6%		
406,669	Cisco Systems Inc.*	6,880,839
174,586	Dell Computer Corp.*	4,186,572
128,268	EMC Corp.*	1,580,262
120,043	International Business Machines Corp.	12,973,047
74,100	Network Appliance Inc.*	985,530
272,704	Sun Microsystems Inc.*	2,767,946
29,374,196		
Commercial Services — 2.1%		
55,700	Automatic Data Processing Inc.	2,877,462
49,240	Concord EFS Inc.*	1,347,699
52,392	Paychex Inc.	1,679,688
5,904,849		
Conglomerates — 10.8%		
604,432	General Electric Co.	22,007,369
20,300	Minnesota Mining & Manufacturing Co.	2,118,914
119,200	Tyco International Ltd.	5,857,488
29,983,771		
Consumer Non-Durables — 10.4%		
49,500	Anheuser-Busch Companies, Inc.	2,062,170
26,500	Cardinal Health Inc.	1,778,415
191,131	Coca Cola Co.	9,151,352
120,414	PepsiCo Inc.	5,865,366
106,900	Philip Morris Cos., Inc.	5,002,920
53,000	Procter & Gamble Co.	3,910,340
38,000	SYSCO Corp.	916,180
28,686,743		
Consumer Services — 0.4%		
52,267	Carnival Corp.	1,138,375
Finance — 8.8%		
146,714	American Express Co.	4,317,793
62,916	Bank of New York Inc.	2,139,773
6,000	Capital One Financial Corp.	247,860
53,093	Freddie Mac	3,600,767
75,624	Fannie Mae	6,122,519
59,614	MBNA Corp.	1,645,942
24,846	Marsh & McLennan Companies Inc.	2,403,850
38,584	Morgan Stanley Dean Witter & Co.	1,887,529

See Notes to Financial Statements.

Portfolio of Investments (continued)

October 31, 2001

SHARES	SECURITY	VALUE
Finance — (continued)		
14,800	Northern Trust Corp.	\$ 747,252
18,600	State Street Corp.	847,044
13,000	Synovus Financial Corp.	299,260
		24,259,589
Healthcare — 23.7%		
120,311	Abbott Laboratories	6,374,077
90,000	American Home Products Corp.	5,024,700
121,194	Bristol Myers Squibb Co.	6,477,819
94,507	Eli Lilly & Co.	7,229,785
204,354	Johnson & Johnson	11,834,140
166,727	Merck & Co Inc.	10,638,850
366,247	Pfizer Inc.	15,345,749
73,820	Schering-Plough Corp.	2,744,628
		65,669,748
Pharmaceuticals — 2.7%		
49,305	Amgen Inc.*	2,801,510
28,400	Biomet, Inc.	866,200
55,240	Health Management Associates*	1,076,628
71,163	Medtronic Inc.	2,867,869
		7,612,207
Retail — 9.8%		
28,011	Bed Bath & Beyond Inc.*	701,956
196,987	Home Depot	7,530,813
55,500	Intimate Brands Inc.	629,925
24,700	TJX Companies Inc.	834,860
102,128	Walgreen Co.	3,306,905
277,249	Wal-Mart Stores Inc.	14,250,599
		27,255,058
Semi-Conductors — 4.4%		
33,028	Altera Corp.*	667,166
378,768	Intel Corp.	9,249,515
43,053	Linear Technologies Corp.	1,670,456
17,979	Microchip Technology Inc.*	561,304
		12,148,441
TOTAL COMMON STOCKS		
(Identified Cost — \$296,278,693)		265,582,069
REPURCHASE AGREEMENT — 4.2%		
First Union Repurchase Agreement, 2.60% due 11/1/01 proceeds at maturity \$11,523,832 (Fully Collateralized by Freddie Mac, 6.625% due 8/15/02 Valued at \$11,760,525); (Identified Cost — \$11,523,000)		11,523,000
TOTAL INVESTMENTS		
(Identified Cost — \$307,801,693)		\$277,105,069

* Non-income producing security

See Notes to Financial Statements.

Statement of Assets and Liabilities

October 31, 2001

ASSETS:

Investments at value (Note 1A) (Identified Cost, \$307,801,693)	\$ 277,105,069
Cash	857
Dividends and interest receivable	238,947

Total Assets	277,344,873
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LIABILITIES:

Payable to affiliates — Management fees (Note 2)	162,297
Accrued expenses and other liabilities	228,196

Total Liabilities	390,493
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Net Assets	\$276,954,380
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Represented by: Paid-in capital for beneficial interests	\$276,954,380
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See Notes to Financial Statements.

Statement of Operations

For the Year Ended October 31, 2001

INVESTMENT INCOME:

Dividend income	\$ 3,154,550
Interest income	645,786

Total investment income	3,800,336
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EXPENSES:

Management fees (Note 2)	2,460,574
Legal fees	31,133
Custody and fund accounting fees	35,717
Audit fees	28,000
Trustees fees	15,354
Other	13,056

Total Expenses	2,583,834
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Net investment income	1,216,502
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NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS:

Net realized loss from investment transactions	(19,625,260)
Unrealized depreciation of investments	(125,222,498)

Net Realized and Unrealized Loss on Investments	(144,847,758)
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Net Decrease in Net Assets Resulting from Operations	\$(143,631,256)
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See Notes to Financial Statements.

Statement of Changes in Net Assets

	Year Ended October 31,	
	2001	2000
Increase (Decrease) in Net Assets From:		
OPERATIONS:		
Net investment income	\$ 1,216,502	\$ 564,683
Net realized gain (loss) on investment transactions	(19,625,260)	58,018,534
Unrealized depreciation of investments	(125,222,498)	(39,456,044)
Net Increase (Decrease) in Net Assets Resulting From Operations	(143,631,256)	19,127,173
CAPITAL TRANSACTIONS:		
Proceeds from contributions	33,985,417	142,787,874
Value of withdrawals	(155,724,137)	(322,890,902)
Net Decrease in Net Assets From Capital Transactions	(121,738,720)	(180,103,028)
Net Decrease in Net Assets	(265,369,976)	(160,975,855)
NET ASSETS:		
Beginning of period	542,324,356	703,300,211
End of period	\$276,954,380	\$542,324,356

See Notes to Financial Statements.

Financial Highlights

	Year Ended October 31,				Ten Months Ended October 31, 1997 (Note 1F)	Year Ended December 31, 1996
	2001	2000	1999	1998		
Ratios/Supplemental Data:						
Net assets, end of period (000's omitted)	\$276,954	\$542,324	\$703,300	\$610,904	\$324,913	\$288,562
Ratio of expenses to average net assets	0.63%	0.63%	0.67%	0.71%	0.60%*	0.60%
Ratio of net investment income to average net assets	0.30%	0.09%	0.04%	0.23%	0.62%*	1.10%
Portfolio turnover	29%	80%	108%	53%	103%	90%

See Notes to Financial Statements.

Notes to Financial Statements

1. Significant Accounting Policies

Large Cap Growth Portfolio (the “Portfolio”), a separate series of The Premium Portfolios (the “Trust”), is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company which was organized as a trust under the laws of the State of New York. The Declaration of Trust permits the Trustees to issue beneficial interests in the Portfolio. The Investment Manager of the Portfolio is Citi Fund Management Inc. (“the Manager”). On April 1, 2001, Citibank N.A. transferred its asset management business, including management of the Fund, to its newly formed affiliate, the Manager.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The significant accounting policies consistently followed by the Portfolio are as follows:

A. Investment Security Valuations Equity securities listed on securities exchanges or reported through the NASDAQ system are valued at last sale prices. Unlisted securities or listed securities for which last sale prices are not available are valued at last quoted bid prices. Debt securities (other than short-term obligations maturing in sixty days or less) are valued on the basis of valuations furnished by pricing services approved by the Board of Trustees which take into account appropriate factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, and other market data, without exclusive reliance on quoted prices or exchange or over-the-counter prices. Short-term obligations, maturing in sixty days or less, are valued at amortized cost, which constitutes fair value as determined by the Trustees. Securities, if any, for which there are no such valuations or quotations are valued at fair value as determined in good faith by or under guidelines established by the Trustees.

B. Income Interest income consists of interest accrued and discount earned, adjusted for amortization of premium or discount on long-term debt securities when required for U.S. federal income tax purposes. Dividend income is recorded on the ex-dividend date.

C. U.S. Federal Income Taxes The Portfolio is considered a partnership under the U.S. Internal Revenue Code. Accordingly, no provision for federal income taxes is necessary.

D. Repurchase Agreements It is the policy of the Portfolio to require the custodian bank to take possession, to have legally segregated in the Federal Reserve Book Entry System or to have segregated within the custodian bank’s vault, all securities held as collateral in support of repurchase agreements. Additionally, procedures have been established by the Portfolio to monitor, on a daily basis, the market value of the repurchase agreement’s underlying investments to ensure the existence of a proper level of collateral.

E. Expenses The Portfolio bears all costs of its operations other than expenses specifically assumed by the Manager. Expenses incurred by the Trust with respect to any two or more portfolios or series are allocated in proportion to the average net assets of each portfolio, except when allocations of direct expenses to each portfolio can otherwise be made fairly. Expenses directly attributable to a portfolio are charged to that portfolio.

F. Other Investment transactions are accounted for on the date the investments are purchased or sold. Realized gains and losses are determined on the identified cost basis.

2. Management Fees

The Manager is responsible for overall management of the Portfolio’s business affairs, and has a separate Management Agreement with the Portfolio. The Manager or an affiliate also provides certain administrative services to the Portfolio. These administrative services include providing general office facilities and supervising the overall administration of the Portfolio.

Notes to Financial Statements (continued)

The management fees paid to the Manager amounted to \$2,460,574 for the year ended October 31, 2001. Management fees are computed at the annual rate of 0.60% of the Portfolio's average daily net assets.

The Trust pays no compensation directly to any Trustee or any other officer who is affiliated with the Manager, all of whom receive remuneration for their services to the Trust from the Manager or its affiliates.

3. Purchases And Sales Of Investments

Purchases and sales of investments, other than short-term obligations, aggregated \$115,115,386 and \$231,870,258, respectively, for the year ended October 31, 2001.

4. Federal Income Tax Basis Of Investments

The cost and unrealized appreciation (depreciation) in value of the investment securities owned at October 31, 2001, as computed on a federal income tax basis, are as follows:

Aggregate cost	\$307,801,693
Gross unrealized appreciation	\$ 17,593,058
Gross unrealized depreciation	(48,289,682)
Net unrealized depreciation	\$ (30,696,624)

5. Line of Credit

The Portfolio, along with various other Portfolios in the family of funds, entered into an ongoing line of credit agreement with a bank which allows the Funds and Portfolios collectively to borrow up to \$75 million for temporary or emergency purposes. Interest on the borrowings, if any, is charged to the specific portfolio executing the borrowing at the base rate of the bank. The line of credit requires a quarterly payment of a commitment fee based on the average daily unused portion of the line of credit. For the year ended October 31, 2001, the commitment fee allocated to the Portfolio was \$709. Since the line of credit was established, there have been no borrowings.

6. Subsequent Event

On October 29, 2001, the Board of Trustees approved the termination of the Portfolio effective November 1, 2001. The owners of beneficial interest in the Portfolio as of November 1, 2001 received their respective share of the Portfolio's net assets.

Independent Auditors' Report

To the Trustees and the Investors of Large Cap Growth Portfolio:

In our opinion the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Large Cap Growth Portfolio (the "Fund"), a series of The Premium Portfolios, at October 31, 2001, and the results of its operations, the changes in its net assets and the financial highlights for the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2001 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
December 14, 2001

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SMITH BARNEY

DIVERSIFIED LARGE CAP GROWTH FUND

TRUSTEES & OFFICERS

C. Oscar Morong Jr., Chairman
Heath B. McLendon*, President
Elliot J. Berv
Donald M. Carlton
A. Benton Cocanougher
Mark T. Finn
Riley C. Gilley
Stephen Randolph Gross
Diana R. Harrington
Susan B. Kerley
Alan G. Merten
R. Richardson Pettit
Walter E. Robb, III
E. Kirby Warren
William S. Woods, Jr. **

PRESIDENT

Heath B. McLendon*

SECRETARY

Robert I. Frenkel*

TREASURER

Lewis E. Daidone*

* Affiliated Person of
Investment Manager
** Trustee Emeritus

INVESTMENT MANAGER

(of Large Cap Growth Portfolio)
Citi Fund Management Inc.
100 First Stamford Place
Stamford, Connecticut 06902

DISTRIBUTOR

Salomon Smith Barney Inc.

CUSTODIAN

State Street Bank
& Trust Company

TRANSFER AGENT

Citi Fiduciary Trust Company
125 Broad Street, 11th Floor
New York, New York 10004

SUB-TRANSFER AGENT

PFPC Global Fund Services
P.O. Box 9699
Providence, Rhode Island
02940-9699

Smith Barney Diversified Large Cap Growth Fund

This report is submitted for general information of the shareholders of Smith Barney Diversified Large Cap Fund, but it may also be used as sales literature when preceded or accompanied by the current Prospectus, which gives details about charges, expenses, investment objectives and operating policies of the Fund. If used as sales material after January 31, 2002, this report must be accompanied by performance information for the most recently completed calendar quarter.

SMITH BARNEY DIVERSIFIED LARGE CAP GROWTH FUND
Smith Barney Mutual Funds
125 Broad Street, MF-2
New York, New York 10004

For complete information on any Smith Barney Mutual Funds, including management fees and expenses, call or write your financial professional for a free prospectus. Read it carefully before you invest or send money.

www.smithbarney.com/mutualfunds

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